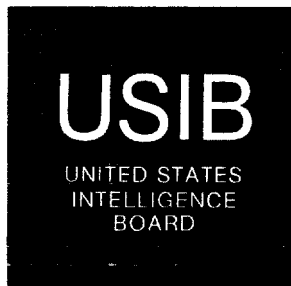


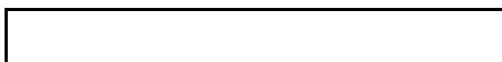
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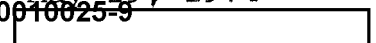


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ISRAEL

Prime Minister - designate Rabin should have no trouble securing parliamentary approval of his new cabinet, probably within a week.

Rabin last night informed President Katzir that he had succeeded in putting together a cabinet to replace that of Prime Minister Meir. Shortly before, his Labor Party Executive Bureau and the Labor Alignment Knesset faction voted, after a stormy session, to approve the new line-up.

The last-minute controversy among party leaders centered on the exclusion of Foreign Minister Eban, who had refused Rabin's offer to become minister of information unless he were also given the post of deputy prime minister, now held by Yigal Alon. Rabin refused, apparently because Alon, who heads the Labor Party's leftist faction, would agree to continue in the cabinet only if he remained deputy prime minister in addition to becoming foreign minister.

Three fourths of Rabin's proposed 20-member cabinet are hold-overs from Mrs. Meir's outgoing government, but, in addition to Eban, two prominent Labor leaders are not included. Moshe Dayan, whom many Israelis hold primarily responsible for the country's unpreparedness for the October war, will be replaced as defense minister by his Rafi faction colleague, Information Minister Shimon Peres.

Labor Party "king maker" Pinhas Sapir, although a Rabin supporter, will step down as finance minister. Sapir may be seeking to avoid the pressure that is building as a result of Israel's economic problems. He reportedly will be replaced by Yaacov Levinson, a banker and political newcomer.

Three portfolios--interior, religious affairs, and welfare--will temporarily be held open for the National Religious Party. Rabin still hopes to induce it to relent on the religious conversion issue and rejoin the coalition, thereby gaining an additional ten seats in the Knesset

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and a comfortable majority. The coalition Rabin now heads has a majority of only one in the 120-member Knesset.

Among the five new cabinet members is a minister without portfolio, Mrs. Shulamit Aloni, who heads the Citizens Rights Movement, a small liberal party whose participation in the government coalition provides Rabin with his slim parliamentary majority. Another new face in the cabinet is that of 63-year-old Moshe Baram, the long-time Jerusalem Labor Party boss and parliamentary whip; he replaces Rabin as minister of labor.

Rabin is not expected to alter significantly the policies of Mrs. Meir's government. He appears only slightly more flexible than his predecessor on Middle East peace negotiations. Although Rabin can probably count on leftist support in the Knesset on peace issues, his room for maneuver will be limited by conservative Labor deputies and his slim majority in the Knesset.

On domestic matters, Israelis will look to Rabin for innovative approaches to such acute problems as inflation, housing, and the need for greater social equality.

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CAMBODIA-CHINA

Ranking Khmer Communist leader Khieu Samphan's successful talks in Peking appear to have aligned the Khmer Communists more clearly and firmly with China. While in the Chinese capital, Samphan declared that Peking is "our most reliable and solid rear area," and in a joint communiqué issued at the end of his visit on May 27 he praised Chinese leadership and policies.

While not ignoring Sihanouk entirely, the communiqué played down his role in the "struggle." Sihanouk apparently was not present during the substantive discussions in Peking. Peking's treatment of Samphan has made it clear that it sees him as playing a major role in any future settlement.

There was no sign in the communiqué, however, that Peking anticipates any early solution in Cambodia. The document reiterated Chinese calls for an end to US "aggression" in Cambodia and the withdrawal of US support to the "Lon Nol clique" in order to enable the Cambodians to resolve their differences independently. This long-held Chinese position stops short of prescribing a military solution and suggests that Peking has not yet excluded a negotiated settlement.

The communiqué disclosed that an aid agreement had been signed providing for "gratis" Chinese military equipment and supplies to the insurgents. The Chinese first signed a separate military aid agreement with Sihanouk's "government" on January 13, 1973. Shortly after the Vietnam cease-fire was signed later that month, however, Sihanouk claimed that Chou En-lai had told him that the Paris agreement precluded any further direct Chinese materiel assistance to the Khmer Communists. Instead, Sihanouk said, the Chinese would give the insurgents money to buy arms.

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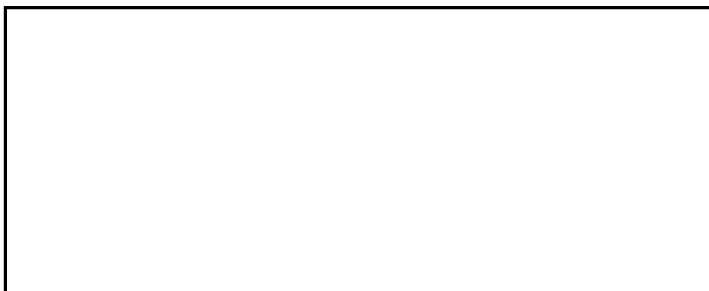
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The conclusion of the 1974 military aid agreement so late in the year could mean that the level of Chinese support will be low. The pact probably resulted from increased Khmer Communist pressure for support, especially in light of what the insurgents consider to be continued heavy US assistance to the Lon Nol government. Peking may also, of course, be attempting to buy additional influence with the Khmer Communists.

Samphan is now in Hanoi, which is undoubtedly his last stop on a two-month trip that has included "official" visits to a dozen Communist and nonaligned countries. On arriving in the North Vietnamese capital, Samphan received another warm welcome from such senior officials as Premier Pham Van Dong and Defense Minister Giap. [REDACTED]

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FRANCE

The cabinet named yesterday by President Giscard is the most broadly based government to rule France in almost two decades.

Key members of Giscard's Independent Republican Party will be the political heavyweights in the 16-member cabinet. Party president Michel d'Ornano will head the Industry Ministry, and Giscard's right-hand man, Michel Poniatowski, the key Interior Ministry. Poniatowski is the only member with the title of minister of state, which entitles him to stand in for an absent prime minister. Other Independent Republicans hold the economy and finance ministry and the agriculture portfolio.

The Gaullists did not fare as well. Although they have five portfolios, including the premiership, no significant leader of the Gaullist Party is a member of the government. Prime Minister Chirac's support of Giscard during the campaign has made his standing in the party suspect. Only Housing and Equipment Minister Robert Galley is a nationally prominent Gaullist, and the other three Gaullists in the cabinet are party back-benchers.

Members of various centrist groups hold four posts, with Jean Lecanuet--whose early support was critical to Giscard's victory--as justice minister. Giscard paid another political debt by awarding the administrative reform portfolio to Jean-Jacques Servan-Schreiber. The Radical Party leader represents the extreme left of Giscard's supporters and has been a severe critic of previous Gaullist administrations. The remaining three posts are held by technocrats.

The new foreign minister, Jean Sauvagnargues, is a career diplomat who is not affiliated with any political party. He has been ambassador to Bonn since 1970. His appointment, coupled with the close relationship between Giscard and West German Chancellor Schmidt, suggests that cooperation with Bonn, especially in the EC, will receive high priority in the Giscard government.

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MIDDLE EAST

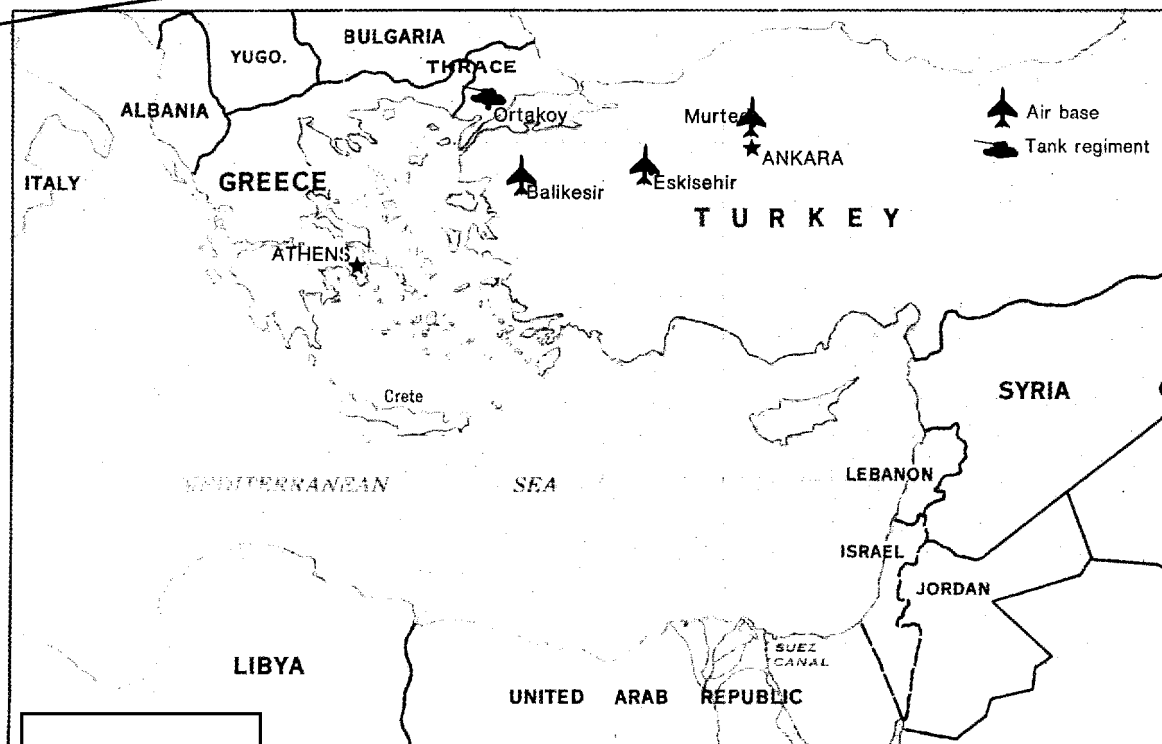
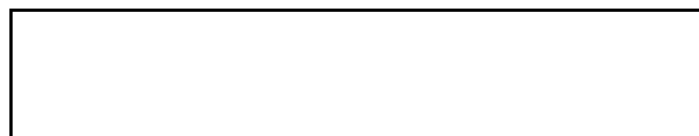
At Egypt's request, France may soon become the third nation to assist in the reopening of the Suez Canal.

The French foreign ministry has authorized the use of 20 divers, provided that two French coastal minesweepers can be used as bases for the divers and that the French unit is integrated into the Egyptian group command. These conditions imply that the French want to operate directly with Egypt, rather than be part of the US-UK operation. Paris also stipulated that its officer in charge must have complete authority over French operations.

Minesweeping operations in the canal itself are being conducted by the US and the UK and are nearing completion. The US ambassador in Egypt speculates that the French may be given the task of clearing the Egyptian minefields in the Strait of Jubal at the southern entrance to the Gulf of Suez--an area that is not included in the US-UK operation. The French navy has a highly regarded minehunting and minesweeping capability which could contribute significantly to the canal clearance operation.

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TURKEY-GREECE

Selected elements of the Turkish armed forces apparently went on "standby alert" over the weekend. Although the alert may be related to operational readiness inspections scheduled for this week or to pending exercises, the activities could also be related to the dispute between Turkey and Greece over oil rights in the Aegean.

[redacted] activ- 25X1
ities of an alert nature took place at Turkish air bases located at Balikesir, Eskisehir, and Murted on May 25 and 26. US air force sources report that a tank regiment at Ortakoy was issued ammunition on May 26 and had taken up camouflaged positions. [redacted]

The alert is not a general one and may stem in part from exercises under way or scheduled. Press reporting from Ankara indicated that Turkish navy units were scheduled to begin exercising in the Aegean yesterday, with air and ground force units also taking part. The coming CENTO exercise, "Shahbaz," which will involve Turkish, Iranian, and Pakistani air forces, could also account for some of the activity."

Ankara, nevertheless, may be taking precautionary measures in response to bellicose statements in recent weeks by the Greek press, as well as to reports of Greek troop movements. Ankara may also be demonstrating a willingness to back up with military force if necessary its intent to explore the Aegean. The Greek note delivered to Ankara on May 23 suggested that Athens might be prepared to talk about arrangements for holding discussions on the Aegean problem, but Greek Foreign Minister Tetenes told US Ambassador Tasca yesterday that Athens saw no chance for direct contact before the NATO conference in Ottawa or the Law of the Sea Conference next month. [redacted]

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SOUTH KOREA

Seoul is moving ahead with plans to bring to trial some of the more than 200 persons arrested in the last several months for antigovernment activity. The regime on May 27 announced that 54 individuals have been indicted for alleged involvement in a plot to subvert the government. The plot was masterminded by the outlawed National Democratic League of Youth and Students, branded by the announcement as "Communist-controlled." The group includes some prominent leftist intellectuals, student leaders of the League, opposition figures from within the Christian community, and two Japanese leftists arrested for supporting militant students.

The trials of those indicted will probably begin in June and may last through the summer. The regime clearly intends to demonstrate its resolve to deal harshly with any opposition--a message it wants conveyed to its student and other critics.

Given Seoul's claim that the accused were involved in a Communist plot, government prosecutors can be expected to demand stern punishment under the present emergency decrees, which can include capital punishment.

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While it is likely that some of the accused will draw long prison terms, any death sentence will probably be commuted. Pak is fully conscious that executions would create martyrs for the opposition and hurt Seoul's image abroad. It is also likely that Pak will order that the case of the two Japanese be handled so as to minimize the possible adverse impact in Tokyo. This may mean that the two will be convicted but then be allowed to return soon to Japan.

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SWEDEN

For the first time since last fall, Sweden can look forward to a period of political stability. This prospect emerged after Prime Minister Palme concluded earlier this month with one of the non-socialist parties an informal agreement that will assure a safe parliamentary majority for the government's economic measures. As a result of this maneuver, Palme is no longer dependent on the Communists for support, and he has further weakened the non-socialist opposition.

Palme managed to persuade the Liberals to break with the non-socialist opposition bloc in negotiations on the government's key economic program. With the Liberals' 34 seats added to his own Social Democrats' 156, Palme can mobilize 190 of the Riksdag's 350 seats. This should ensure comfortable majorities for the government for the first time since the election last year.

Now that Palme no longer needs Communist votes, and with polls showing increased support for his Social Democrats, he should feel no pressure to cater to far-left views on foreign policy issues. The Communists remain an ace up Palme's sleeve, however, in the event some Liberals break party discipline and refuse to support the government.

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Israel-Syria-Lebanon: Fighting was at a low level on the Golan front yesterday with only sporadic exchange of tank and artillery fire. The Israelis shelled fedayeen positions near Mount Hermon and exchanged fire with Lebanese units in southern Lebanon.

Australia: Opposition Liberal Party leader Snedden today conceded defeat in the May 16 Australian general election. Although the tallying is incomplete, Snedden said that Prime Minister Gough Whitlam's Labor Party would only have a tiny majority--perhaps fewer than five seats--in the House of Representatives. (U)

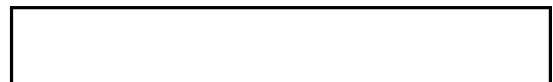
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